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UNITED STATES

SECURITIES EXCHANGE COMMISSION

Washington, D.C. 20549

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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 10/01/03 AND ENDING 09/30/04
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

NDX Trading, Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

3433 Broadway St., NE Suite 290

(No. and Street)

Minneapolis

(City)

Minnesota

(State)

55413

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

KRISTEN KOK

(612) 331-8225

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

CF & Co., L.L.P.

(Name - if individual, state last, first, middle name)

14175 Proton Rd.

(Address)

Dallas

(City)

TX

75244

(Zip Code)

CHECK ONE:



Certified Public Accountant



Public Accountant



Accountant not resident in United States or any of its possessions.

PROCESSED

DEC 10 2004

THOMSON
FINANCIAL

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(a)(2).

SEC 1410 (3-91)

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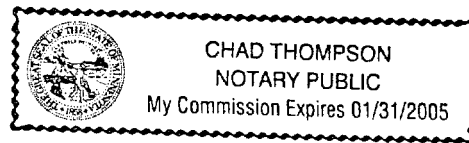
OATH OR AFFIRMATION

I, Kristen Kok, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of NDX Trading, Inc., as of September 30, 2004, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Kristen Kok
Signature

Corporate Secretary
Title

Chad Thompson
Notary Public



This report** contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Cash Flows
- ☒ (e) Statement of Changes in Stockholders' Equity or partners' or Sole Proprietor's Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent auditor's report on internal control

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

NDX TRADING, INC.
REPORT PURSUANT TO RULE 17a-5(d)
YEAR ENDED SEPTEMBER 30, 2004

NDX TRADING, INC.

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CF & Co., L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

J. King Bourland, CPA
Jeffrey L. Cheshier, CPA
J. Thomas Connor, CPA

Kevin J. Harris, CPA
Bret M. Robertson, CPA
Jack W. Savage, Jr., CPA
Jack D. Sprawls, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders
NDX Trading, Inc.

We have audited the accompanying statement of financial condition of NDX Trading, Inc. as of September 30, 2004 and the related statements of income, changes in stockholders' equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NDX Trading, Inc. as of September 30, 2004, and the results of its operations and its cash flows for the year then ended in conformity with accounting principals generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in note 9 to the financial statements, the Company has incurred substantial losses. This condition raises substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CF & Co., L.L.P.

Dallas, Texas
October 26, 2004

14175 Proton Road • Dallas, Texas 75244-3692 • Phone: 972-387-4300 • 800-834-8586 • Fax 972-960-2810 • www.cflfp.com

MEMBERS: AICPA • CENTER FOR PUBLIC COMPANY AUDIT FIRMS OF THE AICPA, TSCPA
CPAMERICA INTERNATIONAL AN AFFILIATE OF HORWATH INTERNATIONAL, REGISTERED WITH THE PCAOB

NDX TRADING, INC.
Statement of Financial Condition
September 30, 2004

ASSETS

Cash	\$ 32,127
Receivable from brokers and dealers and clearing organizations	67,132
Furniture, equipment, & leasehold improvements (less accumulated depreciation of \$787,796)	12,386
Other assets	30,082
Prepaid expenses	<u>9,641</u>
	<u>\$ 151,368</u>

The accompanying notes are an integral part of these financial statements.

NDX TRADING, INC.
Statement of Financial Condition
September 30, 2004

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities

Accounts payable & accrued expenses	<u>\$ 52,813</u>
	<u>52,813</u>

Stockholders' equity

Common stock, 10,000 shares authorized with no par value, 2,000 shares issued and outstanding	44,225
Additional paid in capital	67,702
Retained earnings	<u>(13,372)</u>
Total stockholders' equity	<u>98,555</u>
	<u>\$ 151,368</u>

The accompanying notes are an integral part of these financial statements.

NDX TRADING, INC.
Statement of Income
For the Year Ended September 30, 2004

Revenues

Securities commissions	\$1,618,284
Interest income	<u>197</u>
	<u>1,618,481</u>

Expenses

Employee compensation and benefits	252,865
Commissions and clearance paid to all other brokers	168,060
Communications	231,258
Promotional	360
Regulatory fees and expenses	17,042
Other expenses	<u>1,043,499</u>
	<u>1,713,084</u>

Net loss before income taxes (94,603)

(Provision)/benefit for income taxes

Federal - deferred	\$ (19,633)	
State - deferred	<u>(3,433)</u>	
Total deferred	(23,066)	
State – current	<u>(1,513)</u>	<u>(24,579)</u>

Net loss \$ (119,182)

The accompanying notes are an integral part of these financial statements.

NDX TRADING, INC.
Statement of Changes in Stockholders' Equity
For the Year Ended September 30, 2004

	<u>Common Stock</u>	<u>Additional Paid in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balances at September 30, 2003	\$ 44,225	\$ 0	\$ 105,810	\$ 150,035
Capital Contribution		67,702		67,702
Net Loss			(119,182)	(119,182)
Balances at September 30, 2004	<u>\$ 44,225</u>	<u>\$ 67,702</u>	<u>\$ (13,372)</u>	<u>\$98,555</u>

The accompanying notes are an integral part of these financial statements.

NDX TRADING, INC.
Statement of Changes in Liabilities Subordinated
to Claims of General Creditors
For the Year Ended
September 30, 2004

Balance at September 30, 2003	\$ -0-
Increases	-0-
Decreases	<u>-0-</u>
Balance at September 30, 2004	<u><u>\$ -0-</u></u>

The accompanying notes are an integral part of these financial statements.

NDX TRADING, INC.
Statement of Cash Flows
For the Year Ended September 30, 2004

Cash flows from operating activities:

Net loss	\$ (119,182)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:	
Depreciation	68,171
Deferred tax expense	23,066
Change in assets and liabilities:	
Increase in receivable from brokers and dealers	(12,996)
Increase in other assets	(6,215)
Increase in accrued expenses	23,009
Increase in prepaid expenses	<u>(9,640)</u>
Net cash provided (used) by operating activities	<u>(33,787)</u>

Cash flows from investing activities:

Purchase of fixed assets	<u>(94)</u>
Net cash provided (used) by investing activities	(94)

Cash flows from financing activities:

Payment on short-term debt	<u>(22,351)</u>
Net cash provided (used) by financing activities	<u>22,351</u>
Net decrease in cash	(56,232)
Cash at beginning of period	<u>88,359</u>
Cash at end of period	<u>\$ 32,127</u>

Supplemental Disclosures

Cash paid for:

Income taxes	<u>\$ 5,913</u>
Interest	<u>\$ -0-</u>

See note 5 for non-cash disclosures.

The accompanying notes are an integral part of these financial statements.

NDX TRADING, INC.
Notes to Financial Statements
September 30, 2004

Note 1 - Summary of Significant Accounting Policies

NDX Trading, Inc. (the "Company") is a broker-dealer in securities registered with the Securities and Exchange Commission under (S.E.C.) Rule 15c3-3 (k)(2)(ii) which provides that all the funds and securities belonging to the Company's customers would be handled by a clearing broker-dealer. The Company is a wholly-owned subsidiary of NDX Holdings (the "Parent").

Security transactions are recorded on a trade date basis. Commission income and expenses are recorded on a settlement date basis, generally the third business day following the transaction. If materially different, commission income and expenses are recorded on a trade date basis.

Approximately 50% of the Company's customers are located in the State of Minnesota and the remainder are located throughout the United States.

Depreciation is provided for using an accelerated method over a period of one to five years which does not materially differ from generally accepted accounting principles.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Compensated absences have not been accrued because the amount cannot be reasonably estimated.

Note 2 - Net Capital Requirements

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities and Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis. At September 30, 2004, the Company had net capital of approximately \$45,651 and net capital requirements of \$5,000. The Company's ratio of aggregate indebtedness to net capital was 1.16 to 1. The Securities and Exchange Commission permits a ratio of no greater than 15 to 1.

NDX TRADING, INC.
Notes to Financial Statements
September 30, 2004

Note 3 - Possession or Control Requirements

The Company does not have any possession or control of customer funds or securities. There were no material inadequacies in the procedures followed in adhering to the exemptive provisions of (S.E.C.) Rule 15c3-3(k)(2)(ii) by promptly transmitting all customer funds and securities to the clearing broker who carries the customer accounts.

Note 4 - Income Taxes

The Company files a consolidated income tax return with the Parent. Income taxes are recorded using the separate company method to comply with FASB Statement 109. Any resulting provision or benefit for income taxes is recorded as receivable from or payable to the Parent. The Company has an operating loss carryforward of approximately \$238,747 as of September 30, 2004 which can be carried forward to year 2017 through 2019 to reduce taxable income. The deferred tax asset has been reduced by a valuation allowance of \$89,359. The changes in deferred tax assets are as follows:

	September 30, 2003		September 30, 2004
	Deferred Tax Asset	Current Period Changes	Deferred Tax Asset
Federal	\$ 39,682	\$ 6,378	\$ 76,060
State	<u>6,451</u>	<u>6,848</u>	<u>13,299</u>
	46,133	43,226	89,359
Valuation allowance	<u>(23,067)</u>	<u>(66,292)</u>	<u>(89,359)</u>
Amount per balance sheet	<u>\$ 23,066</u>	<u>\$ (23,066)</u>	<u>\$ 0</u>

Note 5 - Related Party Consulting Agreements

The Parent provided telephone service, administrative services, office equipment and other overhead expenses to the Company under a contract through May 31, 2004. Effective June 1, 2004 the Company cancelled the contract with the Parent. Contract expenses aggregated \$908,590 in 2004. The contract was cancelled June 1, 2004 and settled by the transfer of certain assets and liabilities to the Company. The excess of assets over liabilities transferred was recorded as a capital contribution by the Parent of \$67,702.

NDX TRADING, INC.
Notes to Financial Statements
September 30, 2004

Note 6 - Concentrations of Credit Risk Arising From Cash Deposits in Excess of Insured Limits

The Company at times maintained cash balances in a bank insured by the Federal Deposit Insurance Corporation, in excess of federally insured limits.

Note 7 - Commitments and Contingencies

Included in the Company's clearing agreement with its clearing broker-dealer, is an indemnification clause. This clause relates to instances where the Company's customers fail to settle security transactions. In the event this occurs, the Company will indemnify the clearing broker-dealer to the extent of the net loss on the unsettled trade. At September 30, 2004, management of the Company had not been notified by the clearing broker-dealer, nor were they otherwise aware, of any potential losses relating to this indemnification.

Note 8 - Retirement Plan

The Company sponsors a 401(k) salary reduction retirement plan. The plan covers all employees who are at least 21 years of age with at least one year of service and work in excess of 20 hours per week or 1,000 hours per year. Employees may elect to defer a portion of their gross salaries under the plan. The Company provides a discretionary contribution equal to a percentage of each employee's salary reduction. This percentage is determined annually. The Company's contribution for the year ended September 30, 2004 was \$-0-.

Note 9 - Going Concern

The financial statements are presented on the basis that the Company is a going concern. Going concern contemplates the realization of assets and the satisfaction liabilities in the normal course of business over a reasonable period of time. The accompanying financial statement reflects a loss of \$119,182. The Company's management is in the process of reviewing and revising its business plan, and is making the revisions and changes needed to assure future profits.

Supplemental Information
Pursuant to Rule 17a-5 of the
Securities Exchange Act of 1934
For the Year Ended
September 30, 2004

Schedule I

NDX TRADING, INC.
Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission
As of September 30, 2004

COMPUTATION OF NET CAPITAL

Total stockholders' equity qualified for net capital	\$ 98,555
Add:	
Other deductions or allowable credits	<u>-0-</u>
Total capital and allowable subordinated liabilities	98,555
Deductions and/or charges	
Non-allowable assets:	
Furniture, equipment and leasehold improvements	12,386
Other assets	30,082
Prepaid expenses	<u>9,641</u>
Net capital before haircuts on securities positions	46,446
Haircuts on securities (computed, where applicable, pursuant to rule 15c3-1(f))	
Other securities	<u>(795)</u>
Net capital	<u>\$ 45,651</u>

AGGREGATE INDEBTEDNESS

Items included in statement of financial condition	
Accrued expenses	\$ <u>52,813</u>
Total aggregate indebtedness	<u>\$ 52,813</u>

Schedule I (continued)

NDX TRADING, INC.
Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission
As of September 30, 2004

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required (6-2/3% of total aggregate indebtedness)	<u>\$ 3,523</u>
Minimum dollar net capital requirement of reporting broker or dealer	<u>\$ 5,000</u>
Net capital requirement (greater of above two minimum requirement amounts)	<u>\$ 5,000</u>
Net capital in excess of required minimum	<u>\$ 40,651</u>
Excess net capital at 1000%	<u>\$ 40,370</u>
Ratio: Aggregate indebtedness to net capital	<u>1.16 to 1</u>

RECONCILIATION WITH COMPANY'S COMPUTATION

The following serves to reconcile differences in the computation of net capital under Rule 15c3-1 from the Company's computation:

Net capital, as reported in the Company's Part II (unaudited) FOCUS report	\$ 22,584
Reduction of accrued liabilities	<u>23,067</u>
Net capital per audited report	<u>\$ 45,651</u>

Schedule II

NDX TRADING, INC.

Computation for Determination of Reserve Requirements Under

Rule 15c3-3 of the Securities and Exchange Commission

As of September 30, 2004

EXEMPTIVE PROVISIONS

The Company has claimed an exemption from Rule 15c3-3 under section (k)(2)(ii), in which all customer transactions are cleared through another broker-dealer on a fully disclosed basis.

Company's clearing firm: Southwest Securities, Inc.

Independent Auditor's Report

On Internal Control

Required By SEC Rule 17a-5

Year Ended

September 30, 2004



CF & Co., L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

J. King Bourland, CPA
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Jack W. Savage, Jr., CPA
Jack D. Sprawls, CPA

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL REQUIRED BY SEC RULE 17a-5**

The Board of Directors and Stockholders
NDX Trading, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of NDX Trading, Inc. (the "Company"), for the year ended September 30, 2004, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives.

Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles

generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at September 30, 2004, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, Inc., and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "CF & Co., LLP", is centered on the page.

CF & Co., L.L.P.

Dallas, Texas
October 26, 2004